

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 215121
ORIGIN ABF-01

INFO OCT-01 EUR-12 ISO-00 EB-08 /022 R

DRAFTED BY A/BF/OAG:JHSOUTHERLAND
APPROVED BY A/BF/OAG:JHSOUTHERLAND
EB/ORF/ISM:MDEWITT
EUR/NE:RGREY

-----095357 241429Z /44

P 241320Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY OSLO PRIORITY
INFO AMCONSUL FRANKFURT PRIORITY

LIMITED OFFICIAL USE STATE 215121

FRANKFURT FOR EDER, GAO

E.O. 11652: N/A

TAGS: AGAO,

SUBJECT: GAO REVIEW: "ASSESSMENT OF THE INCREASING RELIANCE OF U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"

REF: A. OSLO 3663; B. STATE 190945

1. GAO FULLY APPRECIATES EMBASSY'S CONCERN THAT WORK IN NORWAY MAY NOT TAKE FIVE WORKING DAYS AND SHARES POST'S DESIRE TO KEEP THE TIME IN NORWAY AND THE DEMANDS ON EMBASSY AND GON TIME TO THE MINIMUM NECESSARY TO ACCOMPLISH THEIR OBJECTIVES.

2. GAO CONSIDERS THE ASSESSMENT OF NORWAY'S ALUMINUM, FERROALLOY AND ZINC PROCESSING INDUSTRY TO BE EXTREMELY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 215121

IMPORTANT TO THEIR STUDY. ALTHOUGH A SMALL SECTOR OF NORWAY'S ECONOMY, THEY ARE MODERN AND EXPANDING, CONTRARY TO TRENDS IN THESE INDUSTRIES IN THE UNITED STATES, AND ARE PLAYING AN INCREASINGLY IMPORTANT ROLE IN WORLD METALS TRADE. DOMESTIC SOURCES IN AND OUT OF GOVERNMENT HAVE ALLEGED THAT A SIGNIFICANT CONTRIBUTOR TO THESE TRENDS HAS BEEN THE ACTIONS OF THE GOVERNMENTS INVOLVED. THAT IS,

THE GON HAS PROVIDED INCENTIVES TO DEVELOPMENT WHILE THE U.S. GOVERNMENT HAS IN EFFECT MADE DOMESTIC EXPANSION LESS ATTRACTIVE.

3. TO LEARN MORE ABOUT SPECIFIC GON INCENTIVES AND THEIR INFLUENCE ON EXPANSION OF MINERAL PRODUCTION IN NORWAY, GAO WOULD LIKE TO IDENTIFY SPECIFIC DIFFERENCES IN GOVERNMENTAL APPROACHES AND OTHER SPECIFIC EXAMPLES OF HOW THESE APPROACHES INFLUENCE NORWEGIAN CORPORATIONS. SPECIFICALLY GAO NEEDS TO DETERMINE:

A. HOW DOES THE GON VIEW THE FUTURE OF THE NON-FERROUS AND FERROALLOY INDUSTRIES IN NORWAY?

B. WHAT ARE THE GON POLICIES REGARDING THE DEVELOPMENT OF THE NORWEGIAN MINERAL MINING AND PROCESSING INDUSTRIES? DO THEY INCLUDE SPECIFIC OBJECTIVES? IF SO, WHAT ARE THEY? DO THEY DIFFER FROM EACH METAL?

C. HOW HAS THE GON IMPLEMENTED ITS POLICIES CONCERNING MINERAL PRODUCTION? WHAT SPECIFIC PROGRAMS HAS IT DEVELOPED? FOR INSTANCE HOW DID THE GON SUBSIDY PLUS INVESTMENT GRANT TO HELP FINANCE THE KOKKEN COPPER MINES OF ORKLA COME ABOUT? IS IT A PART OF AN OVERALL PROGRAM OR A SPECIAL CASE? ARE THERE OTHER CASES SUCH AS THIS?

D. IN MARCH 1978 THE GON ANNOUNCED THE ESTABLISHMENT OF A LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 215121

COPPER FUND TO MAINTAIN A GUARANTEED METAL PRICE FOR ITS DOMESTIC PRODUCERS; HOW DOES THIS FIT INTO GON'S MINERAL POLICIES AND PROGRAMS? HOW WILL THE FUND BE IMPLEMENTED? ACCORDING TO OSLO'S A-19 OF MARCH 21, 1978, THE FUND WAS IN FINANCIAL DIFFICULTY; HAVE THESE PROBLEMS BEEN RESOLVED? IF SO, HOW? IF NOT, WHAT IS THE GON DOING NOW?

E. OSLO A-19 ALSO MENTIONS "WHITE PAPER" ON COPPER INDUSTRY; HAS SUCH A PAPER BEEN ISSUED? WHAT DID IT RECOMMEND? HAVE RECOMMENDATIONS BEEN IMPLEMENTED, AS YET?

F. WHAT AGENCY REPRESENTS THE GON EQUITY IN MINING AND MINERAL PROCESSING DEVELOPMENTS? DOES THE GON ATTEMPT TO MAINTAIN PRODUCTION LEVELS AT TIMES WHEN TRADITIONAL ECONOMIC CONSIDERATIONS DICTATE DOING OTHERWISE?

G. HOW DO WAGE STRUCTURE AND UNIT LABOR COSTS IN NORWAY MINING/METAL INDUSTRIES COMPARE WITH THE UNITED STATES? ACCORDING TO OSLO A-19, THE HIGH LEVEL IN WAGES IS A DISADVANTAGE TO NORWAY.

H. ARE THERE ANY SPECIFIC TAX POLICIES SUCH AS TAX

REDUCTIONS, HOLIDAYS OR DEFERRALS DESIGNED TO ENCOURAGE DEVELOPMENT IN THE MINING AND MINERAL INDUSTRIES? DO TAX CODES PROVIDE FOR MINE DEPLETION ALLOWANCES? WHAT TIME PERIODS ARE ACCEPTABLE FOR COMPUTING PLANT AND EQUIPMENT DEPRECIATION?

I. IS BASIC FINANCIAL DATA SUCH AS RETURN ON INVESTMENT AND DEBT/EQUITY STRUCTURE OF FIRMS' CAPITALIZATION, ETC. AVAILABLE FOR MAJOR NORWEGIAN MINING/MINERAL FIRMS FOR THE FIVE OR TEN YEAR PERIOD ENDING 1977?

J. WHAT GON ENVIRONMENTAL REGULATIONS SUCH AS AIR AND WATER QUALITY STANDARDS OR LAND USAGE RESTRICTIONS HAVE SPECIFIC IMPACT ON THE METAL MINING OR PROCESSING INDUSTRIES? HOW DO THESE STANDARDS COMPARE TO THOSE IN THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 215121

UNITED STATES? ARE STANDARDS ENFORCED FOR ALL FACILITIES? IF NOT, WHAT FACILITIES ARE EXEMPT AND WHY? ARE STANDARDS LESS STRINGENT FOR OPERATIONS IN REMOTE OR UNPOPULATED AREAS?

K. ARE SMELTERS IN NORWAY SPECIFICALLY REQUIRED TO CONTROL SULFUR DIOXIDE EMISSIONS? WHAT METHODOLOGY IS USED? IS SULFURIC ACID PRODUCED? IS IT BEING SOLD AS A PROFITABLE BY-PRODUCT?

L. DOES THE GON REQUIRE THAT "OSHA-TYPE" WORKER SAFETY STANDARDS BE MET BY SMELTERS? HOW ARE STANDARDS MET?

M. HOW ARE ENVIRONMENTAL AND WORKER SAFETY CONTROL MECHANISMS FINANCED? DOES THE GON SUBSIDIZE COSTS? ARE THERE SPECIAL TAX WRITE-OFFS FOR THESE COSTS? HAVE THESE TYPES OF STANDARDS SIGNIFICANTLY INCREASED THE COST OF PRODUCTION, CAPITAL INVESTMENT REQUIREMENTS, DEBT, ETC?

N. HOW ARE ENERGY AVAILABILITY AND COSTS AFFECTING DEVELOPMENT OF MINERAL INDUSTRIES? ACCORDING TO OSLO A-19, POWER PRICES HAVE TRADITIONALLY BEEN AN ADVANTAGE. IS THAT STILL TRUE? IF NOT, WHY NOT?

O. WHAT IS BEING DONE BY THE GON TO STIMULATE DEVELOPMENT OF MORE ENERGY SOURCES? ARE PROBLEMS RELATED TO A POOR WATERSHED AND INCREASED DEMANDS ON ELECTRICAL POWER A FACTOR IN INCREASING MINERAL PRODUCTION COSTS? DO METAL PRODUCERS STILL HAVE AVAILABLE SUPPLIES OF ENERGY AT FAVORABLE RATES COMPARED TO OTHER ENERGY USERS?

P. WHAT MEASURES DOES THE GON USE TO STIMULATE DOMESTIC MINERAL EXPLORATION? ARE THERE MINERAL RESERVES IN NOR-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 215121

WAY THAT HAVE NOT BEEN DEVELOPED? IF SO, WHY NOT?

Q. WHAT, IF ANY, TARIFF OR NON-TARIFF BARRIERS ARE USED TO DETER IMPORTS AND ENCOURAGE EXPORTS OF REFINED METALS?

R. HAVE ANY OTHER ARTIFICIAL MECHANISMS SUCH AS WAGE AND PRICE CONTROLS BEEN USED TO ALTER THE NORMAL ECONOMIC FORCES IN THE MINERAL INDUSTRIES?

S. ARE THERE ANY RESTRICTIONS ON FOREIGN INVESTMENT IN NORWAY? DOES THE GON OFFER ANY SPECIAL INCENTIVES TO FOREIGN INVESTORS? WHAT ARE EXAMPLES OF THESE TYPES OF INCENTIVES?

T. ARE THERE ANY OTHER FACTORS INVOLVING THE INFLUENCE OF THE GON ON THE DEVELOPMENT OF ITS MINERAL MINING AND PROCESSING INDUSTRIES?

4. WHILE GAO APPRECIATES THE OFFER OF ASSISTANCE FROM THE EMBASSY TO DETERMINE THE ANSWERS TO THESE QUESTIONS AND OBTAIN SPECIFIC EXAMPLES, GAO BELIEVES THEIR STAFF SHOULD DISCUSS THESE MATTERS WITH EMBASSY, GON AND SELECTED CORPORATE OFFICIALS BECAUSE OF THE TECHNICAL NATURE OF THE QUESTIONS AND SO THAT THEY MAY ALSO PURSUE ANY FURTHER QUESTIONS THAT ARISE. (SOME SUGGESTED COMPANIES ARE ELKEM-SPIGERVERKET A/S; DET NORSKE ZINKKOMPANI; ORKLA INDUSTRIER A/S; AND THE AARDAL AND SUNNDAL VERK GROUP (ASV).)

5. GAO RECOGNIZES THAT FIVE DAYS MAY NOT BE NEEDED TO ACCOMPLISH THEIR OBJECTIVES AND WISHES TO AVOID IMPOSING ON EMBASSY AND GON OFFICIALS' TIME TO THE EXTENT POSSIBLE. HOWEVER, TO INSURE TIME IS AVAILABLE TO MEET WITH PERTINENT OFFICIALS, TO PROVIDE FLEXIBILITY IN SCHEDULING MEETINGS, AND TO ALLOW FOR POSSIBLE TRAVEL TO BUSINESSES OUTSIDE THE OSLO AREA, GAO WILL SPEND ONLY AS MUCH OF THE WEEK OF SEPTEMBER 25 AS NECESSARY (NOTE, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 06 STATE 215121

THIS IS A CHANGE FROM THE TIME PERIOD ORIGINALLY SUGGESTED IN OUR REFTEL).

6. IF EMBASSY CONCURS, THE GAO WOULD APPRECIATE RECEIVING THE NAME OF THE EMBASSY OFFICER WHO WILL SERVE AS PROJECT OFFICER. GAO FRANKFURT WILL THEN PROVIDE THE NAMES OF TEAM MEMBERS, THEIR TRAVEL PLANS, SECURITY

CLEARANCES AND HOTEL REQUIREMENTS.

7. EMBASSY OFFICIALS ARE WELCOME TO ACCOMPANY GAO TO MEETINGS WITH GON AND COMPANY OFFICIALS, BUT SHOULD NOT FEEL COMPELLED TO DO SO. GAO WILL BE PLEASED TO GIVE EMBASSY OFFICIALS ENTRANCE AND EXIT CONFERENCES OR BRIEFINGS. CHRISTOPHER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 24 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE215121
Document Source: CORE
Document Unique ID: 00
Drafter: JHSOUTHERLAND
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780346-0948
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780827/aaaaawqe.tel
Line Count: 231
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6b57105c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ABF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 OSLO 3663, 78 STATE 190945
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1632163
Secure: OPEN
Status: NATIVE
Subject: GAO REVIEW: "ASSESSMENT OF THE INCREASING RELIANCE OF U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"
TAGS: AGAO
To: OSLO
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6b57105c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014